AGRICULTURAL BULLETIN

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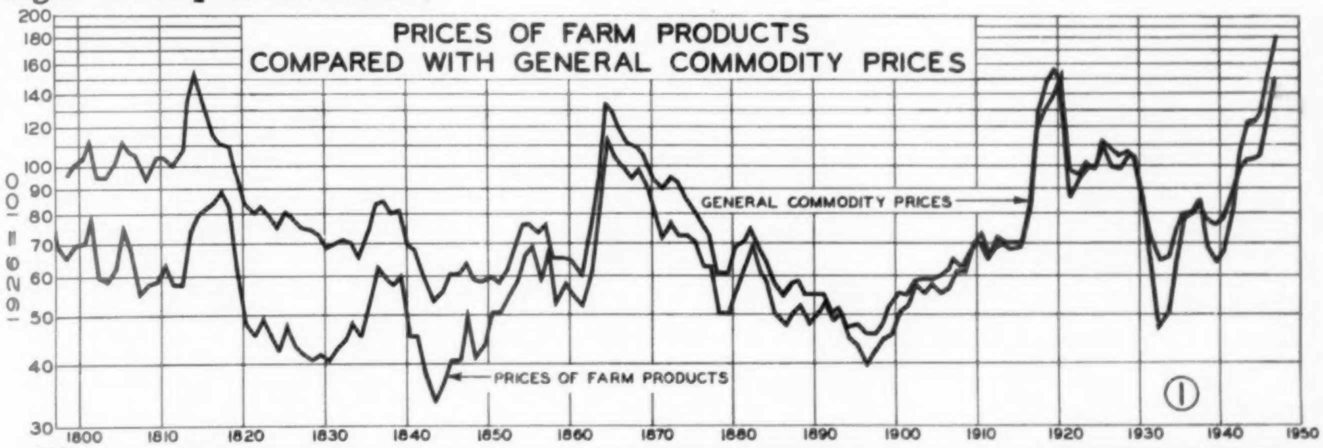
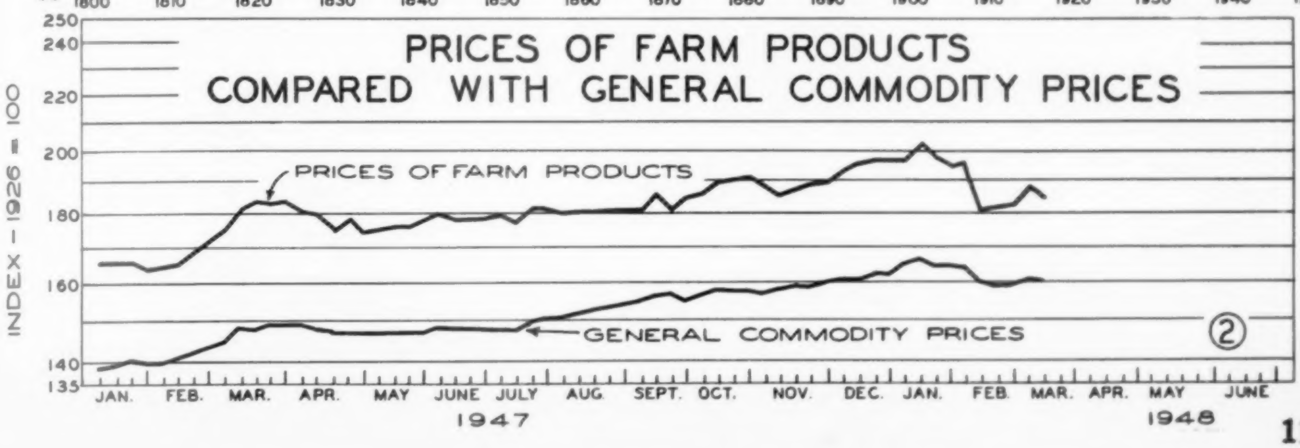
TRENDS IN AGRICULTURE

FOR the past several years most agricultural factors have followed a favorable course - for the farmer. Greater production, higher prices, more mechanization, less hand labor, low interest rates, diminishing farm debt, and an increasing number of owner-operators have largely sprung from the almost overwhelming demand for American farm products. Following World War II the outlook was for continued prosperity for some time to come.

Recent events abroad, however, have developed in such a way that the United States now finds itself at the crossroads. Straight ahead lies the road to real peace. To one side leads the road to the suspended peace of military preparedness, with heavy expenditures for armaments and military training. On the other side, the road leads into a shooting war, which would probably be the most ghastly, the most wasteful, the most senseless, and the most useless of all wars. The road we would choose, if the choice were ours, lies straight ahead. It is almost certain, however, that we will be forced to turn one way or the other. It does seem that we will be allowed to choose the lesser of the two evils - suspended peace. With this in mind, we should examine some of the more important economic factors in our agriculture to see what might develop in the future.





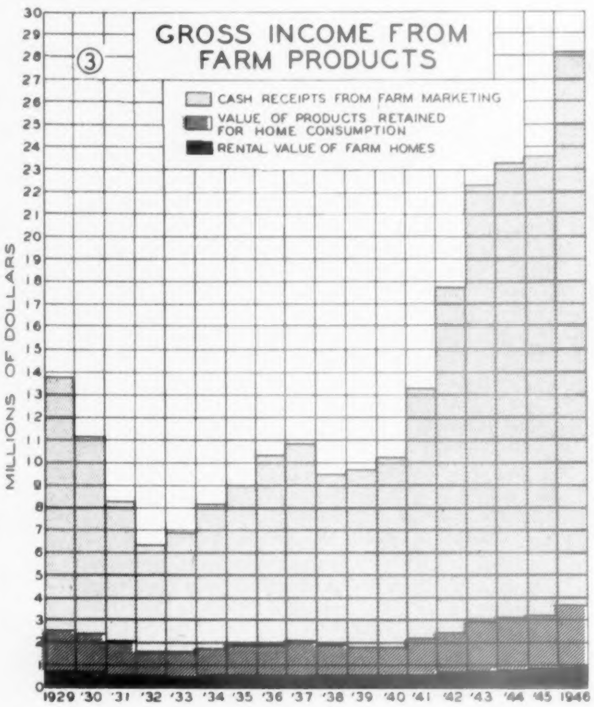


Chart 1 shows the comparison between the prices of farm products and the prices of general commodities from 1797 through 1947.

The prices of farm products have shown greater gains than general commodity prices throughout the entire history of the country. This will probably continue to be the case regardless of whether we enter a shooting war or are able to maintain suspended peace.

Chart 2 supplements chart 1 by tracing the weekly changes in these two indexes from January 1947 through March 13, 1948. During this time nothing more spectacular occurred than the February 1948 declines in the grain and livestock markets. While many farmers and livestock men were hurt by big drops in their products, the over-all farm products index dropped only 7-1/2 per cent from February 7 to February 14.

Chart 3 shows the gross income from farm products broken down into three main groups - cash receipts from farm marketing, value of products retained on the farm for home consumption, and the rental value of farm homes.

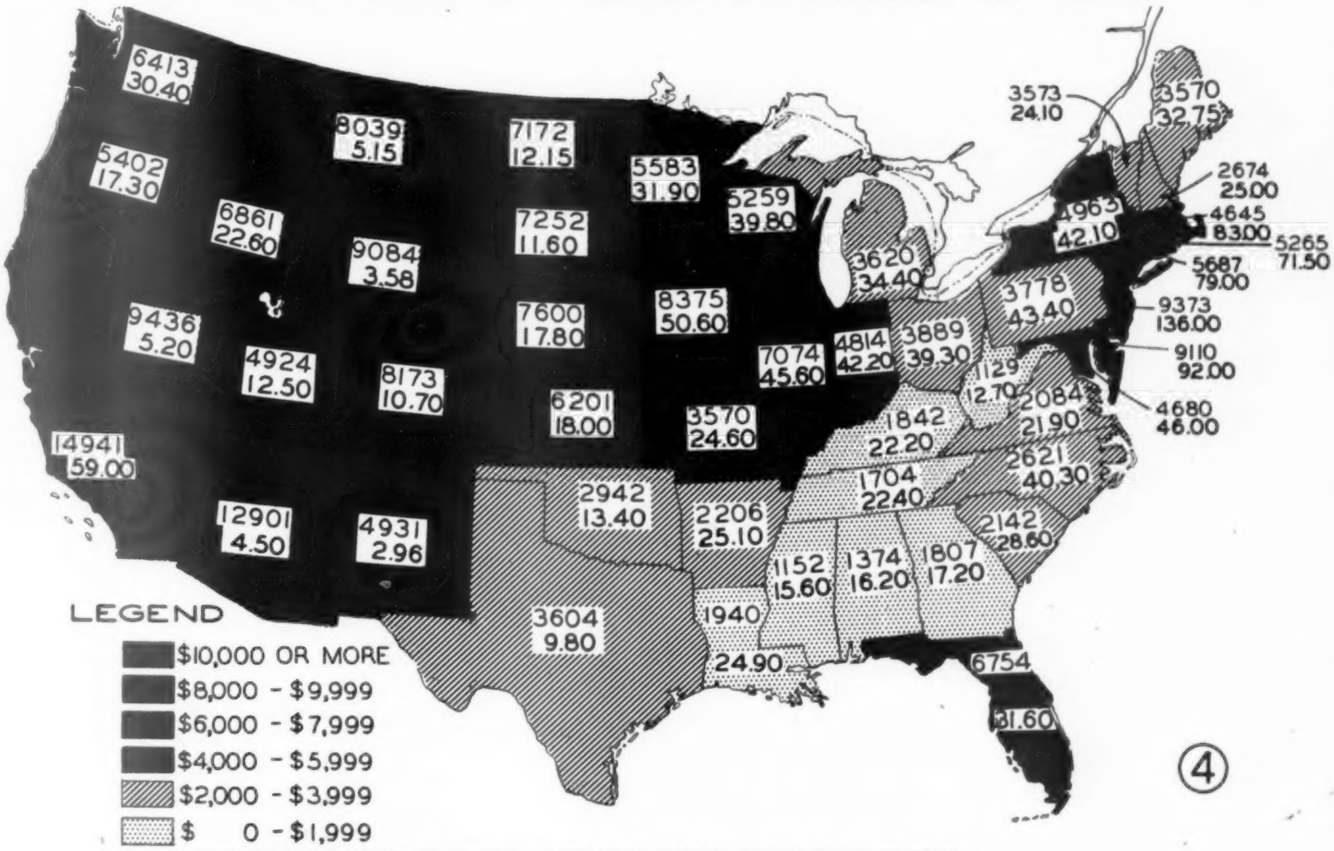
While complete figures for 1947 are not available, income from cash receipts alone amounted to over $30 billion during the past year. In view of the excellent grain yields in Australia and Argentina, and the favorable weather in Europe, foreign demand for American foods should not be so high in 1948. We believe that 1947 recorded the peak of the present farm price boom and that 1948 will show a decline.

Chart 4 shows the average cash income from farm marketing per farm in the various States during 1946.

The average cash income from farm marketing per farm was highest in California with a figure of nearly $15,000 per farm. Arizona appears to compare favorably, with an average income of $12,900 per farm, until the size of the average farms in the two States is considered - 252 acres in California, and 2,884 acres (over ten times as large) in Arizona. On an income-per-acre basis California leads Arizona $59.00 to $4.50. The small farms in the eastern States of New Jersey and Delaware produced the highest income per acre, while the large cattle and sheep States of Wyoming, Nevada, New Mexico, Montana and Arizona, with their extensive grazing lands, produced the lowest income per acre. Final figures for 1947 are not available, but there is every reason to believe that both average income per farm and average income per acre showed increases. As in the case of gross income, we think that 1947 will be the high mark of the present boom insofar as other farm earnings figures are concerned.

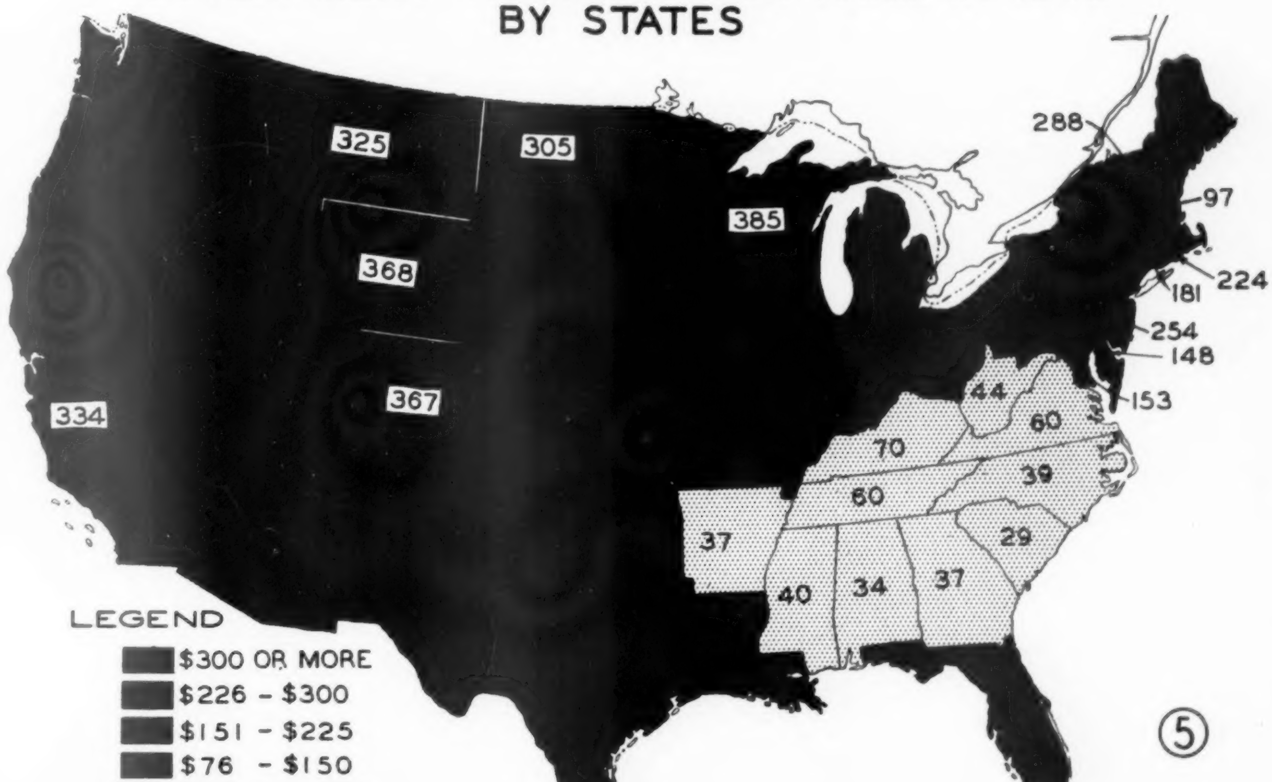
Chart 5 shows the average government payments per farm by States in 1946. In comparing this chart with chart 4 it is interesting to note that most of the high-income farms receive the biggest government subsidies. Montana, Wyoming and Colorado

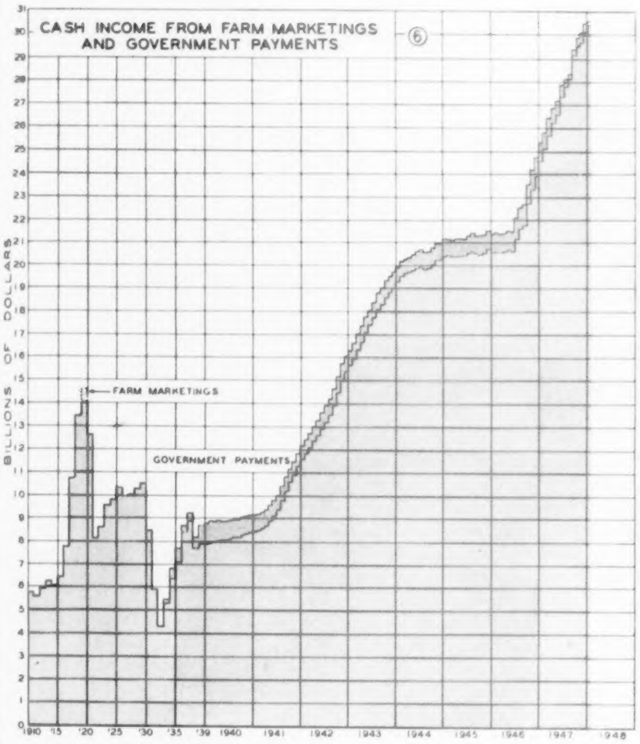
AVERAGE CASH INCOME FROM FARM MARKETING PER FARM AND PER ACRES BY STATES IN 1946



BLUE FIGURES IN STATES SHOW AVERAGE CASH INCOME PER FARM
RED FIGURES IN STATES SHOW AVERAGE CASH INCOME PER ACRE

GOVERNMENT PAYMENTS PER FARM IN 1946 BY STATES

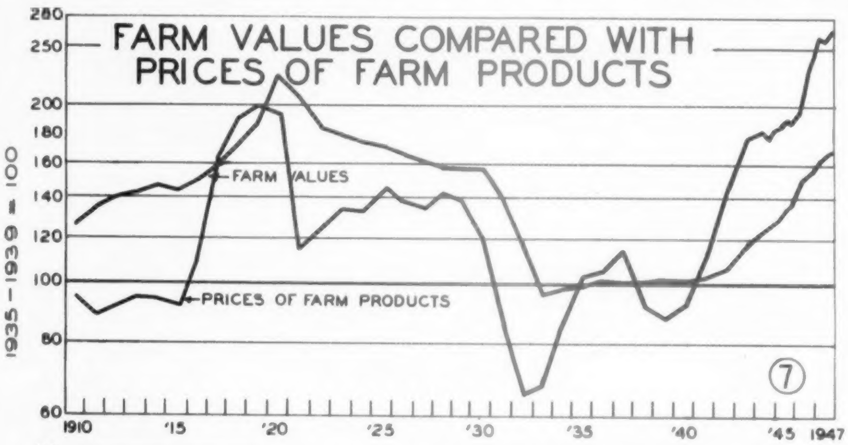


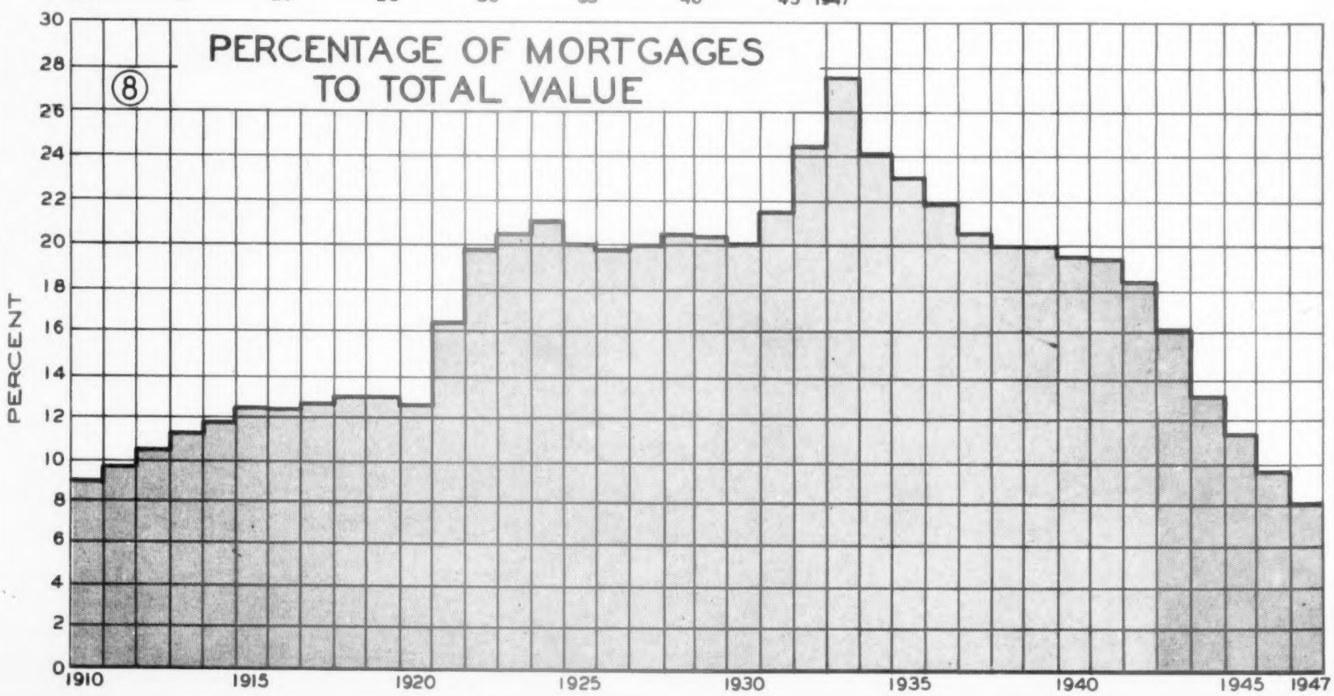


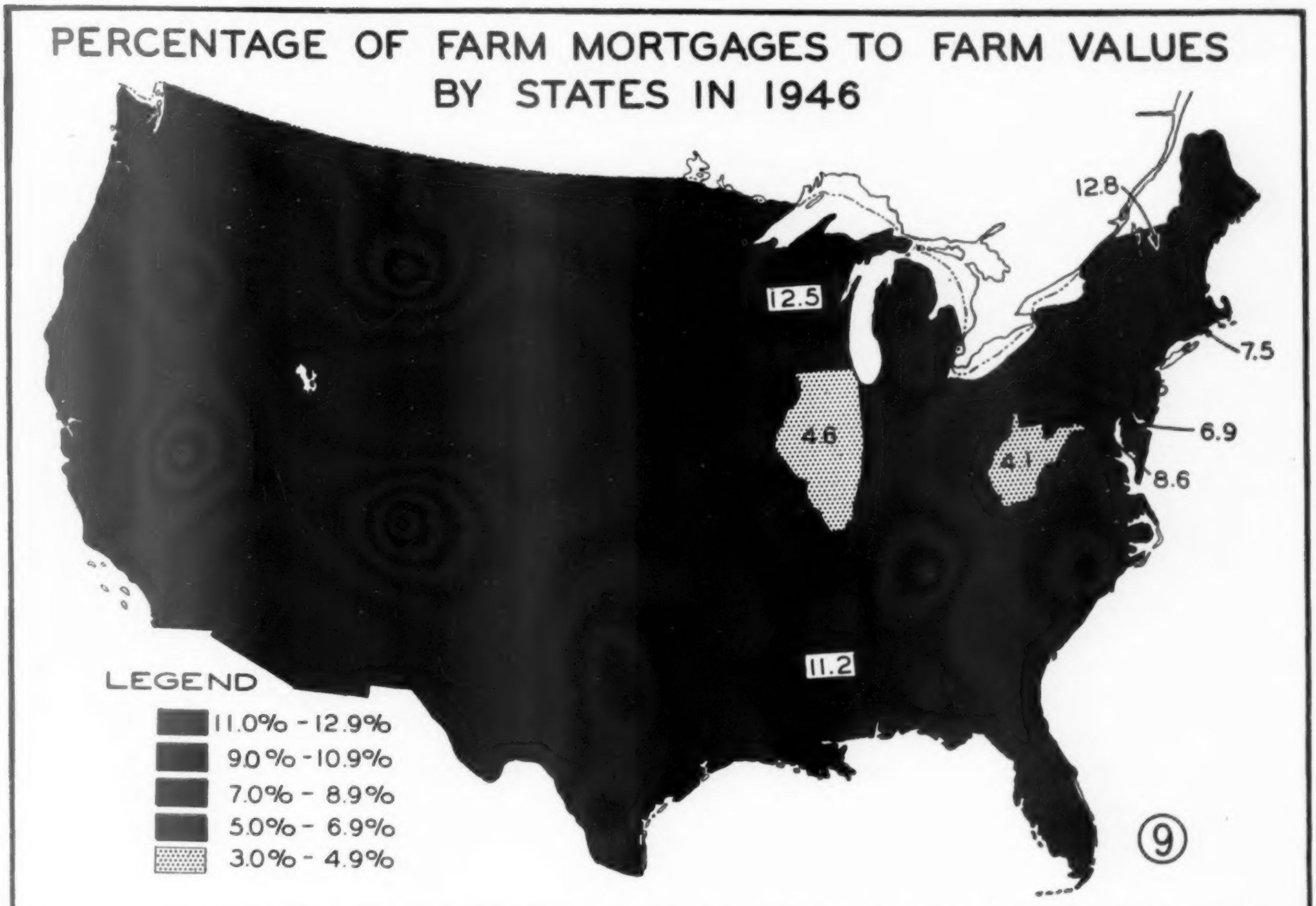
farms have average cash incomes of $8,039, $9,084 and $8,173, respectively, and they received an average subsidy of $325, $368 and $367, respectively, in 1946. In contrast, Mississippi, Alabama, and Georgia farms averaged $1,152, $1,374 and $1,807, respectively, in cash income received, and were allotted only $40, $34 and $37, respectively, in government subsidies. Where was the common man when these arrangements were made?

Inasmuch as the greatest farm bonanza in history has not rid us of subsidies, we doubt whether they will be voted out any time soon. We disagree with the principle of subsidizing anybody, and particularly subsidizing on the basis of giving prosperous Wisconsin farmers over ten times the help that the southern farm families receive. We doubt if any forecaster could look at such a ridiculous situation and come up with any sensible prognostication. We can't - except to repeat that subsidies will probably stay for a while and grow more difficult to understand.

Chart 6 shows the cash income from farm marketings and from government pay-







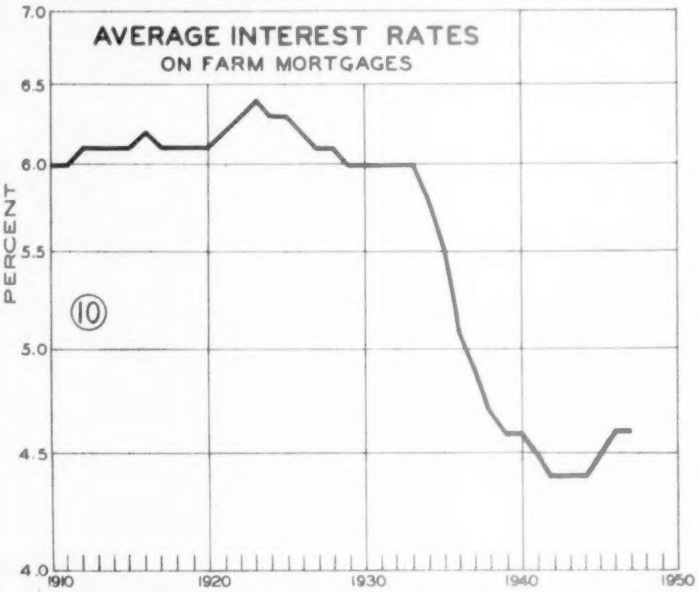
ments. The period through 1939 is shown by years; the years from 1940 on are shown by months. The preceding peak in cash income came in 1919. The actual price peak occurred in the early months of 1920; the rapid drops that came later in the year reduced the average for 1920 below that of the preceding year. Government payments have been made since 1933.

Cash income from farm marketings hit a new peak of $30.2 billion in 1947. January 1948 reached $2.5 billion, or $0.3 billion ahead of January 1947. We doubt if the 1948 figure will exceed that of 1947 but all indications are that it will not be much below it.

Chart 7 shows the relationship between the value of farm lands and the prices of farm products. It will be noticed that while farm values follow the big swings in prices of farm products, they do not fall so fast or so far, nor are they as erratic.

As is true with values of other types of real estate, the values of farm property change comparatively slowly. For this reason we think that in these troubled times a "wait-and-see" policy should be followed by people interested in buying or selling farms. If we are allowed to fulfill our food commitments to Europe, farm products prices should not fall too much; therefore, farm values should remain fairly stable. If, however, the Russians overrun Europe, we are liable to find ourselves with a large surplus of farm products which could knock the props out from under the prices of farms and farm products.

Chart 8 shows the percentage of farm mortgages to farm values from 1910 through 1947. The 1947 figure of 8.1 per cent is the most favorable in the last 37 years.

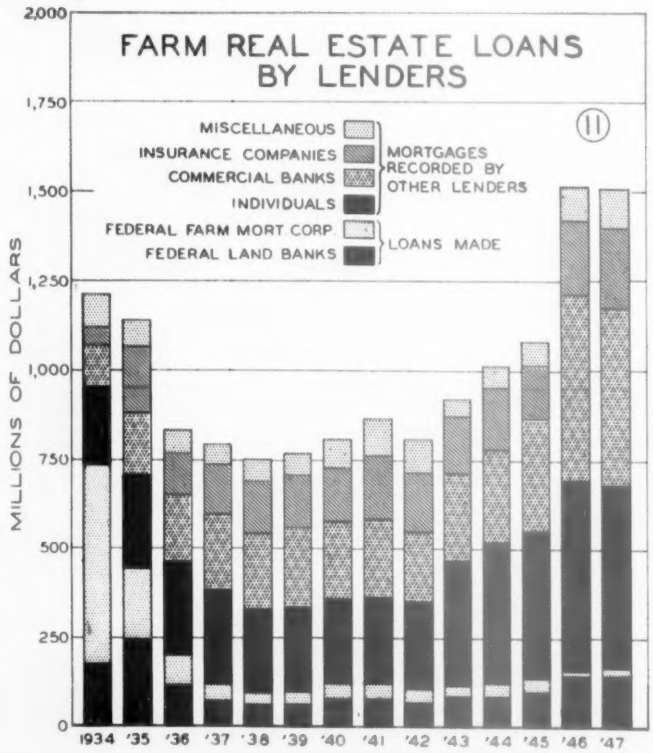


Following the high mark of 27.6 per cent in 1933, the percentage of farm mortgages to farm values declined steadily to its present low point. This "mortgage-to-farm" ratio has been whittled down from two sides - farm values have increased almost 75 per cent since 1933 and farm mortgages have been decreasing steadily (with the exception of one year) since 1923. The chances are that this relationship will show another decrease during 1948 due chiefly to continued large pay-offs on the mortgage debt rather than any appreciable increase in farm values.

Chart 9 shows the percentage of farm mortgages to farm values by States for 1947.

The States with the highest percentage of farm mortgages to farm values in 1947 were Vermont, Wisconsin, Mississippi, Minnesota, Massachusetts and Idaho. Those having the lowest were West Virginia, Illinois, Montana, Kansas, Kentucky, Tennessee, Virginia and North Carolina. Perhaps the only significant fact in these rankings is that all eight of the low ratio States derive their chief income from crops rather than livestock. If any estimate were to be made on changes in these ratios, we would guess that the grain, livestock and tobacco States would be the most likely to show decreases in farm value and consequently a rising percentage of mortgage to value during the next two or three years.

Chart 10 shows the average interest rate of farm mortgages from 1910 through 1947.



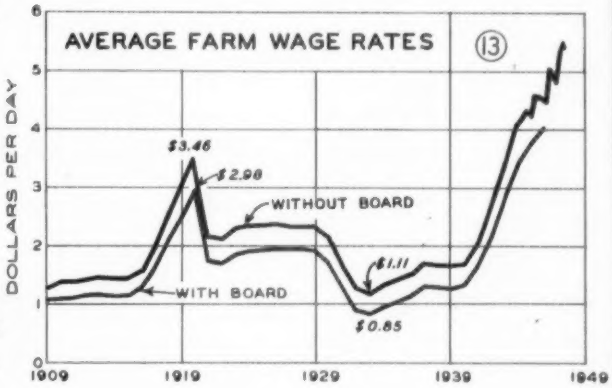
Following three years of practically rock bottom rates of 4.4 per cent in 1942, 1943 and 1944, farm interest rates began to inch their way back in 1945. Since then they have risen to 4.6 per cent (in 1946 and 1947). For the next several years these rates will continue to move upward.

Chart 11 shows farm real estate loans made by type of lender from 1934 to 1947. While the great percentage of loans in 1934 were made by either the Land Bank Commissioner or the Federal Land Banks, in recent years individuals, commercial banks and insurance companies have again been back in the lending field. The large increase in the volume of loans is a natural result of the brisk activity in farm sales.

Federal Land Bank loans showed a big increase over 1940. About 10 per cent of this increase was lent to veterans. Loans by individuals and commercial banks showed the largest gain, while insurance company loans remained about the same.

As farm values will eventually start down (possibly during 1948) and interest rates are expected to continue rising, there will no doubt be great agitation by the farm bloc for the government to increase its farm lending activities at lower interest rates. The Federal Land Banks and the Federal Farm Mortgage Corporation have consistently loaned money at lower rates than other lenders. We think that the dollar volume of loans by non-government sources has reached its peak and that government loans may be expected to increase.

Chart 12 shows the average farm taxes per acre from 1890 through 1946. Farm taxes started their steep climb in 1910, about the same time farm values started (chart 7) to rise. Farm taxes per acre, in addition to their wide variations from State to State (over $3.00 in Massachusetts; $0.06 in New Mexico) also show a big difference in the relationship between the average value per acre and the average tax per acre. In Maine the average tax per acre is 2.2 per cent of the average value per acre. In Massachusetts it is 2 per cent; Florida, 1.9 per cent; and New Hampshire, 1.7 per cent. At the other extreme are Delaware and West Virginia, where the taxes amount to only 0.3 per cent of the value, and Texas, where it is 0.4 per cent.



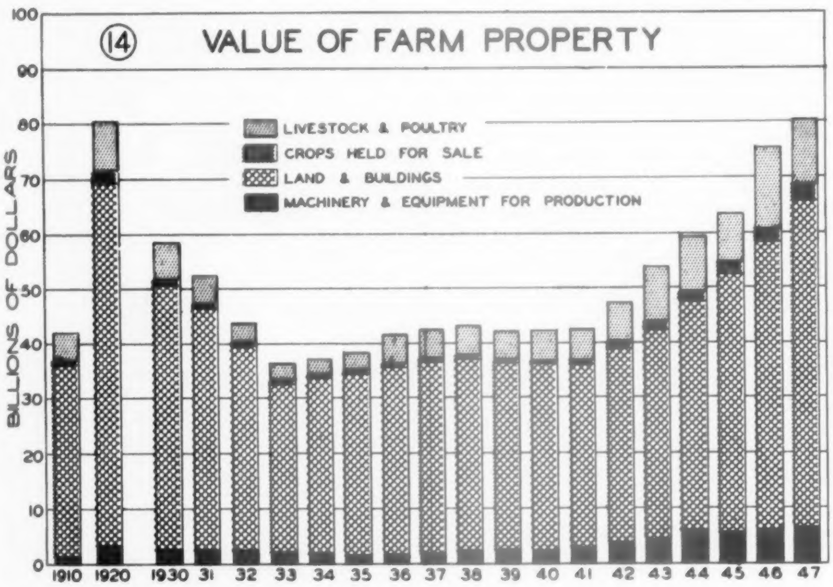
Unfortunately, farm taxes do not start dropping at the same time farm values do. During the twenties farm values declined for ten years, while farm taxes continued to rise.

State and municipal governments have stepped up their expenditures and we think that farm tax rates will continue their rise for several years.

Chart 13 shows the course of average farm wages from 1909 through January 1948. The competition of the cities with their large industrial plants has caused rapid migrations from farm communities. The continued demand for agricultural products and the reduction in the supply of farm labor have been responsible for this rise.

Farm wages will remain high as long as the shortage of farm labor persists and the price of farm products stays up. As soon as unemployment begins to creep into the economy, workers will start drifting back to the farms and farm wages will start down - or if the price of farm products starts down, wages will follow. We do not anticipate an appreciable change in any of the factors soon, however.

Chart 14 shows that in 1947 the value of farm property in the United States equaled the previous peak of over $80 billion reached in 1920. The value of lands and buildings has not quite reached the 1920 level, but livestock and farm machinery



on farms have increased enough to bring the total value to the 1920 level.

We expect the 1948 level of total farm property value to be a little lower than that of 1947. Value of machinery will continue to increase as more becomes available for purchase - but crops held for sale may show a small decline. Value of livestock will drop as the number of livestock on farms in 1948 is considerably less than in 1947. Values of land and buildings will stay just about the same.

OUR STANDARD OF LIVING MAY BLOW AWAY!

THE darkest cloud on the agricultural horizon began to take shape a couple of weeks ago as dust storms swept up from the Texas Panhandle and Oklahoma. Experts diagnosed them as "not serious." Perhaps these first storms were not serious, but they point out that we have not solved our most serious domestic problem - depletion of our natural resources. Of all our wealth, the greatest is our farm lands, yet for generations we have woefully mismanaged them. Each year water and wind erosion carry away literally millions of acres of top soil. It is only in recent years that proper publicity and attention have been given to these losses.

The following is taken from the 1947 Report of the Secretary of Agriculture. In the past eleven years (1936-1946) the Department of Agriculture has helped farmers build 672,000 miles of terraces and 679,000 dams and reservoirs to check water erosion. Through cooperation with the various States, the Department of Agriculture has set up conservation districts in each of the 48 States. These districts are governed by local people and are nonpolitical in nature. By July 1, 1947, these conservation districts included over one billion acres (making up over 3/4 of the farms in the nation) and new districts are still being formed at the rate of about twenty each month.

While a tremendous amount of work remains to be done, the government and the farmers have made a good start. Our country's agricultural conservation program must be carried on without interruption and at as rapid a rate as possible.

Our standard of living, the highest in the world, has been boosted by labor-saving devices and marvelous transportation - but it begins with the soil.